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REVIEW OF THE WORLD SITUATION



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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

SUMMARY

1. The Soviet Korean venture, a laboratory test in the use of non-Soviet Communist forces to fight a local war of limited objectives, has ended in failure. While the tactical device itself has not necessarily been discredited, if the Kremlin should employ it in the future the USSR will have to reckon with the capabilities of UN powers to intervene effectively. In the meantime, the commitment of UN ground, sea, and air units and the successful support of South Korea have marked a line beyond which Soviet-sponsored aggression cannot go without being forcefully challenged.

a. Barring a Soviet decision to precipitate global war, the USSR is unlikely to commit its own military forces to rescue the North Koreans. Instead, the Kremlin probably will aid the North Korean Communists to hold organized defensive positions as long as possible and then to harass UN forces by employing the time-honored tactics of guerrilla warfare, subversion, and propaganda.

b. Unless the USSR is ready to precipitate global war, or unless for some reason the Peiping leaders do not think that war with the US would result from open intervention in Korea, the odds are that Communist China, like the USSR, will not openly intervene in North Korea.

c. It is too early to determine what the long-range effects of the Korean defeat will have on the USSR, but it is quite possible that the sacrifice of a Satellite will be a point of contention within the Communist movement for some time to come and may aggravate resentment of Soviet predominance in the Communist movement.

2. The rapid pace of recent events in the Far East has not, as the USSR may have

hoped, diverted US attention from the fact that Western Europe is the area of the world most vital to US security. The emphasis in the Atlantic community of nations is shifting away from economic recovery, designed primarily to meet the internal Communist menace, and shifting toward the task of building up defensive capabilities that can deter military aggression or sustain the initial shock of an attack if it should come. In the long run, the most important effect of the Soviet venture in Korea may be that it has given new vigor to the effort to revive Western Europe as a power-complex and thereby redress the world balance of power.

a. Impelled by events in Korea, the NAT system is passing from the stage of initial planning and organization to active execution of plans. The crucial problem ahead is whether or not the European allies of the US can sustain morale and exert efforts sufficient to establish adequate defensive capabilities against the threat of military aggression.

b. The reluctance of the European NAT countries to divert substantial resources from economic recovery to defense is largely a reflection of doubts as to whether Europe can sustain an intensive rearmament effort without destroying the essential economic underpinning of Western European defense.

c. It appears that a more unified effort in every field of activity is necessary if the Atlantic community is to meet the threat posed by the USSR in the shortest time and at the lowest possible cost.

d. All the Western European countries, including France and Germany, have recognized the ultimate need for West German industrial and military contributions to the common de-

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The review contains information available to CIA as of 13 October 1950.

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fense of Western Europe. The Germans are increasingly gaining a position to exact a high political price for the services they can render to Western Europe and the US. Nevertheless, while seeking in every way to get an equal role in the Western community, the Adenauer government is firmly committed to the Western European camp.

e. At best, Western Europe will require three or four years to achieve a state of comparative preparedness sufficient to deter or meet the

danger of military attack. Meanwhile, Soviet war-readiness and Satellite capabilities steadily increase. It is entirely possible that a greater and longer sustained effort than the program now being blocked out will be required of the US and its European allies.

3. An extensive drought in Yugoslavia, which has materially reduced agricultural production, has created a serious threat to the internal stability of the Tito government.

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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

1. Strategic Aftermath of the Korean Venture.

The Soviet Korean venture, a laboratory test in the use of non-Soviet Communist forces to fight a local war of limited objectives, has ended in failure. The margin by which the North Korean forces failed to overrun and occupy all South Korea was narrow, and the test would have been a conspicuous success but for the intervention of UN forces. The tactical device itself, therefore, has not necessarily been discredited, but if the Kremlin should employ it in the future the USSR will have to reckon with the capabilities of UN powers to intervene effectively. Nevertheless, the prompt commitment of UN ground, sea, and air units in support of South Korea has marked a line beyond which Soviet-sponsored aggression cannot, in the meantime, go without being forcefully challenged. US initiative in drawing this line, combined with UN action against the North Korean forces, has redounded to the credit of the UN and in particular to the credit of the US policy of general containment of Soviet expansion.

Since the USSR has scrupulously maintained the thin fiction of having no responsibility for the actions of Soviet-trained, Soviet-equipped, Soviet-supplied Communist armies in Korea, the Kremlin can afford to write off the Korean venture and try to minimize the tactical defeat it has suffered. There is unlikely, however, to be any basic change in the normally aggressive character of Soviet strategy and Soviet foreign policy.

a. Soviet Reaction.

In attempting to minimize or offset the adverse effects of the military defeat suffered by the Communist forces in Korea, the USSR probably will rely on the North Koreans themselves to oppose UN occupation of North Korea. Barring a Soviet decision to precipitate global war, the USSR is unlikely to commit its own military forces to rescue the North Koreans. Instead, the Kremlin probably will aid the

North Korean Communists to hold organized defensive positions as long as possible and then to harass UN forces by employing the time-honored tactics of guerrilla warfare, subversion, and propaganda. There has been no evidence of any breakdown in the internal discipline of the North Korean Communists. Their leaders have been through many years of adversity in China and Japanese-occupied Korea, and they probably will continue fighting in one way or another for the Communist cause regardless of local defeats in Korea. The USSR probably can depend on these men to continue organized military operations in defense of North Korea as long as possible and then to try to obstruct UN occupation and pacification of the area indefinitely. Continued resistance by military units and guerrilla operations, probably supported from Manchuria, might force advancing UN contingents virtually to lay waste to the country, thereby confronting any UN-sponsored regime with enormous economic reconstruction problems.

b. Possibility of Chinese Communist Intervention.

There have been a number of reports that the Chinese would openly intervene after UN troops (as distinguished from Republic of Korea troops) crossed the 38th Parallel. There are certainly enough Chinese Communist forces readily available in Manchuria to permit military intervention on a scale sufficient to alter the course of events in Korea. In a sense, of course, the Chinese Communists already have "intervened," since forty to sixty thousand Chinese-trained troops of Korean origin have been fighting in the North Korean army and since Manchuria is a major supply source for North Korea. Further covert reinforcement and supply of the North Korean army almost certainly will continue.

It is becoming less and less likely, however, that Chinese Communist troop units will openly enter the battle under the flag of the

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Peiping regime. The time has passed when Chinese intervention would have turned the military tide toward a complete Communist victory in Korea. While willing to participate in a war-of-nerves maneuver that probably was designed to dissuade UN troops from invading North Korea, or at least to delay UN troops long enough for the North Koreans to regroup forces and establish a defensive position, the Chinese Communists are unlikely to be willing to come to the assistance of the North Koreans at the risk of becoming involved in open hostilities with the US and its UN allies. The Chinese Communists cannot fail to be unaware that war with the US, at least in the absence of a general East-West war, would be disastrous not only to China's interests in general but also to the domestic program and stability of the Peiping regime. Therefore they are likely to try to avoid open participation in military operations outside China's traditional boundaries. Thus, unless the USSR is ready to precipitate global war, or unless for some reason the Peiping leaders do not think that war with the US would result from open intervention in Korea, the odds are that Communist China, like the USSR, will not openly intervene against the UN troops in North Korea.

c. Consequences of Soviet Failure.

Whatever the course of organized fighting and guerrilla resistance in North Korea, the USSR will make strenuous efforts to recoup the prestige lost as a result of the defeat of North Korean forces. The defeat must be a matter of serious concern to the Kremlin, in view of (1) the united reaction of the non-Communist world to Communist aggression in Korea and the rapid strides toward rearmament undertaken by the US and its allies; (2) the possibility of eventual repercussions within the Satellites and the International Communist movement resulting from a demonstration of the Kremlin's fallibility as well as of the unwillingness of the USSR to rescue one of its Satellites; (3) a setback to the Communist propaganda claim of the early success of colonial liberation movements under the leadership of the Communist parties; (4) establishment of the fact that the advance of Soviet power and influence in Asia can be

challenged and repelled. It is too early to determine what the long-range effects of the Korean defeat will have on the USSR, but it is quite possible that the sacrifice of a Satellite will be a point of contention within the Communist movement for some time to come and may aggravate resentment of Soviet predominance in the Communist movement.

2. New Phase in the Revival of the European Power-Complex.

The rapid pace of recent events in the Far East has not, as the USSR may have hoped, diverted US attention from the fact that Western Europe is the area of the world most vital to US security. The problem of recreating a stable European power-complex has entered a new phase, ushered in by the sense of urgency engendered by Soviet-sponsored aggression in Korea. The emphasis in the Atlantic community of nations is shifting away from economic recovery, designed primarily to meet the internal Communist menace, and shifting toward the task of building up defensive capabilities that can deter military aggression or sustain the initial shock of an attack if it should come. This shift to emphasis on rearmament, designed to protect the fruits of past economic accomplishments against the danger of foreign conquest, raises a host of difficult problems. Their solution is essential to US security interests, and in the long run the most important effect of the Soviet venture in Korea may be that it has given a new vigor to the effort to revive Western Europe as a power-complex and thereby redress the world balance of power.

a. NATO Rearmament.

Given the basic decision of the NAT countries that rapid improvement in defensive capabilities is essential, the present problem is no longer whether or when to rearm but whether they can rearm fully and quickly enough. Impelled by events in Korea, the NAT system is passing from the stage of initial planning and organization to active execution of plans. The Europeans in general reacted favorably to the US (and UK) announcement of the early commitment of additional forces to Europe and to the strong US initiative shown at the recent NAT Deputies meetings

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and the Foreign Ministers sessions in New York. At these sessions the NAT powers have made the far-reaching decision that, on the strictly military side at least, the defense of Western Europe is to be on a fully unified basis. The NAT countries have also agreed, at least in principle, on a High Priority Production Program designed to provide an immediate start toward filling the most critical deficiencies in military equipment.

Under the impact of the quick US reaction and subsequent UN successes in Korea, there has been a marked improvement in Western European morale. The crucial problem ahead is whether or not the European allies of the US can sustain morale and exert efforts sufficient to establish adequate defensive capabilities against the threat of military aggression. There still remains among both governments and peoples considerable lack of confidence in the ability of Western Europe to rearm adequately and simultaneously to solve the economic problems that are pressing. The European NAT members, including the UK, are acutely conscious of how precarious is their economic stability and how large is the need for continuing emphasis on recovery. Consequently, they do not feel in a position to divert the same relative resources to rearmament purposes as the US. Despite the fact that some US estimates have indicated that the NAT countries could undertake from \$10-12 billion in rearmament over the coming three-year period without any marked lowering of living standards, the Western European nations are reluctant to undertake the drastic revision of present economic objectives necessary to achieve this level of defense effort. They point out that internal stability is still as important a defense against Communism as adequate military defenses, and they are unwilling to assign overriding priority to the latter. The British in particular display this attitude and are seeking a major US commitment of financial assistance as essential to large-scale rearmament on their part.

b. The Economic Problem.

The reluctance of the European NAT countries to divert substantial resources from economic recovery to defense is largely a reflection of doubts as to whether Europe can sus-

tain an intensive rearmament effort without destroying the essential economic underpinning of Western European defense. Despite Europe's remarkable postwar economic recovery and the attainment of reasonable financial stability, it is already evident that, in the aftermath of Korea, Europe will again be plagued by inflation and shortages of critical materials. Moreover, the first phase of European recovery has involved forced-draft capital investment, with a postponement of appreciable increases in consumption and living standards. Now, just when European peoples are about to reap some of the economic advantages of this program, they are faced with continued belt-tightening or perhaps even a re-imposition of stringent economic controls. The unpleasant necessity of continued restriction of consumption levels, new tax increases, and the postponement of contemplated investment programs may require more determination and effort in the direction of containing inflationary pressures, reorienting investment programs, and in general controlling the economic repercussions of rearmament, than the Europeans are able to sustain.

c. The Need for a More Unified European Effort.

It appears, moreover, that a more unified effort in every field of activity is necessary if the Atlantic community is to meet the threat posed by the USSR in the shortest time and at the lowest possible cost. The search for ways to merge separate national interests in the pursuit of a common objective has been an outstanding feature of the postwar European scene. It has developed pragmatically in different forms and at different levels, but in general there has been a gradual evolution from a concept of strictly European institutions, with the US supporting but not participating, to the idea of a looser but broader Atlantic Community, with full US participation. Recently, as rearmament has begun to take the center of the stage, economic and political as well as military matters have been tending to merge under the umbrella of the North Atlantic Treaty. The probable economic impact of rearmament on the national economies makes it more imperative than ever that the shock be shared and minimized. In addition,

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the whole experiment of European unification hinges upon finding an effective means of utilizing German resources while preventing another upsurge of German aggression. It remains questionable whether the movement toward a unified Western European-US effort can become sufficiently operative in time to achieve the objectives that are essential to US security.

d. German Rearmament.

The increase in the tempo of Western European preparations for defense has made more urgent some decision on the question of German rearmament. Recreation of an independent national army and a full-scale munitions industry in West Germany has been clearly rejected by all the North Atlantic Pact (NATO) nations and the majority of the Germans themselves. Nevertheless, all the Western European countries, including France and Germany, have recognized the ultimate need for West German industrial and military contributions to the common defense of Western Europe. Present French opposition relates to the timing rather than the principle of German rearmament, although the French attitude is holding up a firm decision. The French maintain that West German militarization may result in reduced cooperation on the part of the German Federal Government, revived military spirit among the German people, and increased Soviet suspicions of the military designs of the Western allies. Although not "irrevocably opposed" to German remilitarization at a later date, the French advocate prior development of a strong NATO army, a large NATO stockpile of munitions, and a firmly integrated command structure prior to the organization and training of any German units. French opposition probably will weaken as a result of pressure by the other NATO countries, particularly if the US were to guarantee both rapid delivery of arms and equipment for the expanded NATO forces now envisioned, and the creation of positive safeguards against eventual German dominance of an integrated Western force. The other NATO nations generally consider German remilitarization essential to European security and would probably consent to any formula acceptable to France. If German re-

militarization is eventually permitted, it probably will be restricted to military units of divisional size permanently assigned to the Western defense force under NATO command, and German units would be kept at a fixed ratio to the forces of the other participating nations. In any case, West Germany probably will be called on to furnish steel, raw materials, and finished goods not exclusively of a military nature, permitting the other Western nations to devote a larger proportion of their industrial output to munitions.

Meanwhile, the Germans are increasingly gaining a position to exact a high political price for the services that they can render to Western Europe and the US. The initiative for making or breaking the progress of Western Europe toward an effective defense against the USSR is passing into German hands as time goes on. Increasing NAT emphasis on the necessity of securing the cooperation of German manpower and military materiel to stop a possible Soviet advance has enabled the Germans, who are determined to make the most of the opportunity, to recover an appreciable measure of control over their external and internal affairs. The Adenauer government already has shown indications of its use of the leverage given it by the US position and the need for German steel, to influence the course of such efforts toward European integration as the Schuman Plan. Thus, with the prospect of increased coal and steel orders, as well as the removal of restrictions to meet the needs of the Western rearmament effort, the Germans no longer see the same advantages in merging their industry with the less efficient French, Belgian, and Italian ones under the Schuman Plan.

Nevertheless, German sentiment tends to favor participation in a Western defense force. West Germany desires remilitarization not only for reasons of security but also for the increased prestige and bargaining power it would gain by sharing in the common defense effort. Thus, while seeking in every way to get an equal role in the Western community, the Adenauer government is firmly committed to the Western European camp. If international tension continues to be high, it probably will impel the Atlantic community to find

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a resolution of differences on the detailed character and timing of German rearmament.

e. Long-Range Prospects.

At best, Western Europe will require three or four years to achieve a state of comparative preparedness sufficient to deter or meet the danger of military attack. Meanwhile, Soviet war-readiness and Satellite capabilities steadily increase. By 1954 the USSR may not only have achieved more effective defenses against strategic air offensives but markedly increased strategic naval, air, and atomic capabilities of its own. It is difficult to foresee to what extent such Soviet achievements may neutralize the effect of presently projected NAT defense plans, but it is entirely possible that a greater and longer sustained effort than the program now being blocked out will be required of the US and its European allies.

3. Yugoslav Crisis.

An extensive drought in Yugoslavia, which has materially reduced agricultural produc-

tion, has created a serious threat to the internal stability of the Tito government. Extreme privation and some outright starvation are inevitable before spring unless substantial amounts of grain and other foods are imported. Since the deficit Yugoslav economy is incapable of financing required emergency imports, the economic crisis can be relieved appreciably only by substantial Western aid. The already widespread hostility of the peasants to the Tito regime is likely to increase as greater pressures are exerted by the local authorities to meet regional food quotas. The morale of the labor force, already low, will suffer further drops as a result of a sharp decline of living standards, which are still below pre-war levels. The situation as a whole will tend to undermine the ability and willingness of the Yugoslav people to resist hostile Soviet pressures, and the USSR will probably increase its already extensive efforts to overthrow Tito's heretical anti-Soviet Communist regime.

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CENTRAL INTELLIGENCE AGENCY
Washington 25, D. C.

EXHIBIT J

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1 November 1950

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Chinese Communist Intervention in Korea.

Fresh, newly-equipped North Korean troops have appeared in the Korean fighting, and it has been clearly established that Chinese Communist troops are also opposing UN forces. Present field estimates are that between 15,000 and 20,000 Chinese Communist troops organized in task force units are operating in North Korea while the parent units remain in Manchuria. Current reports of Soviet-type jet aircraft in the Antung-Sinuiju area indicate that the USSR may be providing at least logistic air defense for the Manchurian border. In addition, a radio broadcast of 31 October from the emergency North Korean capital of Sinuiju announced that a "Volunteer Corps for the Protection of the Suiho Hydroelectric Zone" has been formed to protect that area from the advancing UN forces. The broadcast emphasized the importance of the Suiho hydroelectric system to the industries of Manchuria and pointed out that Chinese People's Liberation Forces are concentrated along the Manchurian side of the Suiho zone.

This pattern of events and reports indicates that Communist China has decided, regardless of the increased risk of general war, to provide increased support and assistance to North Korean forces. Although the possibility can not be excluded that the Chinese Communists, under Soviet direction, are committing themselves to full-scale intervention

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in Korea, their main motivation at present appears to be to establish a limited "cordon sanitaire" south of the Yalu River. Primary objectives of the Chinese Communists in attempting to establish such a no-man's land would probably be: (a) to guarantee security of the Manchurian border from UN forces which the Chinese have labelled as invaders; and (b) to insure continued flow of electric power from the vital Suiho hydroelectric system to the industries of Manchuria. The preceding considerations, which are of direct concern to Communist China, would also be in line with the general desire to further international Communism by helping the North Koreans prolong their resistance.

The Chinese Communists probably genuinely fear an invasion of Manchuria despite the clear-cut definition of UN objectives. The reported evacuation of industrial machinery and civilian personnel from Mukden could be the consequence of such a fear although the possibility exists that this evacuation has been undertaken in an effort to anticipate possible retaliatory action by UN forces following Chinese Communist intervention in Korea. The Suiho hydroelectric system, with generators located on the Korean side of the Yalu River, provides a large part of South Manchuria's electricity and most of the power for the Port Arthur naval base area. To date, the UN has made no statement regarding the distribution of Suiho power after UN forces take possession, and Chinese Communist apprehension may have been increased by the recent statement of a South Korean general that all power to Manchuria would be cut off.

(signed) Walter B. Smith & disp. via Spec Msgr 11/1
WALTER B. SMITH
Director

cc: Secretary of State
Secretary of Defense
Chairman, NSRB

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